

presumably into the informal sector, and evade taxation. The number is expected to top the 1 million mark in 2003.

The demographic situation exacerbated the pension system crisis. The number of new retirees increased to 131,500 in 2002 from 18,300 in 2001. There is no chance of the situation changing for the better. In 2020, the proportion of working-age people in Belarus is expected to stand at 57.1 percent, where the retirees will make up 27.8 percent and children just 15.1 percent.

So far, Belarus has a surplus of immigrants. However, no new jobs have been created, the number of industrial workers has been shrinking and the SME sector is stagnant. If these trends continue, there will be one pensioner per one worker in the country in 2020.

Other pension system problems are related to retirement age, the extensive range of occupational groups entitled to early retirement benefits, effective payment of benefits to those still in active occupation, and the emphasis on employers and employees funding the pension system.

Belarus has one of the world's lowest retirement ages – 60 years for men and 55 years for women. The average retirement age is even lower as many categories may stop working earlier. Thus, the average effective retirement age is 58 years and 10 months for men and 53 years and 11 months for women. On the average, men receive pensions for 14 years and women for 23 years.

At present, there are more than 20 categories of those eligible for early retirement, i.e. 25 percent of all new pensions in the last few years. This is twice the 1990 registered figure.

It turns out that all employees make the same contributions, but some of them may claim benefits five to ten years earlier than others. This depletes the level of old-age security in the country.

Housing and utilities

The majority of Belarus' current housing stock was built after World War 2, with only 6.9 percent of residential space built before 1945³.

³ Figures here are quoted after the 1999 census; more recent official statistics are not available, as yet.

Multi-storey apartment buildings of ‘the first mass housing construction series’ called the ‘Khrushchovki’, as they were built at the time of the Soviet leader Nikita Khrushchev, were erected in late 1950s and early 1960s to accommodate the increasing number of migrants from rural areas. More than 2.2 million people, or 22.7 percent of the country’s population, live in multi-storey apartment buildings constructed between 1960 and 1980. Some 1.8 million people, or 18.5 percent of the population, are inhabitants of multi-storey apartment houses erected in the 1980s.

Slightly over one million people, or 10.6 percent, live in individual houses built after World War 2, and another one million, or 10.4 percent, in individual homes built between 1960 and 1980.

Housing stock quality depends on the quality of input construction materials. At present, 52.6 percent of the tenants live in prefabricated concrete buildings, and 39.2 percent live in multi-storey brick houses. It is common knowledge that the prefab concrete houses wear out faster.

Not everyone can afford a separate housing unit. In 1999, 574,000 people lived in dormitories and 401,000 in municipal/council housing (the *kommunalki*) with the kitchen and bathroom shared with other tenants, or in barracks. This is 9.7 percent of the total population and 13.1 percent of urban residents. More than half of dormitories and municipal buildings were erected in the 1960s and the 1970s. Conditions there are much worse than in self-contained apartments, let alone individual houses. Considering that, since 1996, the country has built an equivalent of just one third of the housing stock available at the end of WW2, one in ten residents would have to live for a long time in conditions that can hardly be called civilized.

As the official statistics have it, there are 21.6 meters of housing space per resident in Belarus. This, however, is not the true picture. In fact, inhabitants of self-contained apartments have 18.5 square meters of space per person, inhabitants of municipal dwellings have 12.3 square meters per person, and those in dormitories have just 10.6 square meters per person. Those living in individual houses have 25 square meters of space per resident.

The urban housing stock is managed and maintained by a network of Housing Maintenance Enterprises (HMEs) accountable to the Housing Ministry and city/town authorities. Privately owned condominiums and cooperatives manage a negligible fraction of ca. 5,000 houses.

Utilities, i.e. maintenance and repair of buildings, supply of heat, water, gas, electricity, sewage and garbage disposal, are provided by operators residing partly in the municipal system and partly controlled by state-owned conglomerates. All these enterprises are subsidized by the government.

The utility and housing management market remains a State monopoly. Consumers may not select the scope of services provided and do not know what the real costs are. In addition, consumers are deprived of any rights as they have no contract with providers, and there is no legislation to guarantee their rights. That is why, tenants have no tools to get HMEs to satisfy their needs, or at least force them to provide services that they are entitled to under regulations governing the utilities and municipal services industry.

The pricing structure is very complicated and obscure. Various ministries and state-owned conglomerates set quotas of use, while utility and housing rates are set by the Ministry of the Economy, regional and Minsk city executive committees and local authorities.

In 2001, the government adopted a timetable to phase out subsidies and increase cost recovery on maintenance and utility expenses from tenants, scheduled to reach 100 percent before 2004. Cross-subsidies applied in connection with heating, electricity and gas services to households totaled 532.6 billion rubels (\$385.3 million) in 2001.

There are four groups of customers who pay different utility rates:

1. households;
2. public establishments, catering, consumer and housing maintenance enterprises;
3. agricultural enterprises;
4. industrial, construction, business and other enterprises.

Big consumers such as the industries pay three to four times the household rate. At the same time, the cost of supplying energy to big consumers is well be-

low the cost of supplying small quantities to households. Businesses in Western Europe and the US pay lower rates than the residential segment.

Meanwhile, the government has been raising household rates ahead of the timetable. In early 2003, households were paying 62 percent of the utility costs out of their own pocket, a figure that the government scheduled for the year-end. Households pay much more for gas supply and garbage disposal than these services really cost. Meanwhile, the government failed to ensure an adequate average salary rise to soften the impact to the residential segment. The average salary was equivalent to \$109 in mid-2003, whereas the government had intended to raise it to \$143 in 2003. Household expenses on utility and housing services jumped two- or threefold in the last two years.

Thus, the current situation in the housing sector provides no incentives for new housing construction, repairs of old housing stock, energy efficiency and cost recovery, just as it does not encourage residents to assume responsibility for their dwellings.